

1 DIRECT TESTIMONY OF

2 TIMOTHY C. WILKES

3 ON BEHALF OF

4 SOUTH CAROLINA SMALL BUSINESS CHAMBER OF COMMERCE

5 DOCKET NO. 2002-223-E

6
7 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
8 **POSITION WITH THE SOUTH CAROLINA SMALL BUSINESS**
9 **ASSOCIATION.**

10 A. Timothy C. Wilkes, 1717 Gervais Street, Columbia, South Carolina. I am
11 the Chairman of the Board of Directors of The South Carolina Business
12 Chamber of Commerce.

13 **Q. ARE YOU AUTHORIZED BY THE SOUTH CAROLINA SMALL**
14 **BUSINESS CHAMBER OF COMMERCE TO APPEAR BEFORE**
15 **THE COMMISSION TODAY?**

16 A. Yes, I have been authorized by the Board of Directors to appear and
17 present the views of our organization in this rate application.

18 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND**
19 **AND PROFESSIONAL EXPERIENCE.**

20 A. I am a certified Public Accountant having received a degree from the
21 University of South Carolina where I attended both the undergraduate and
22 master's program. I have served twelve years in the South Carolina House
23 of Representatives from Fairfield County. I consider myself primarily to

1 be a small businessman. I have operated my accounting firm, Wilkes and
2 Company for over 22 years. With offices in Columbia and Winnsboro,
3 our firm represents hundreds of small businesses and entrepreneurs. In
4 addition, I have owned and operated a number of other small enterprises,
5 including convenience stores and fast food franchises. I currently have an
6 antique business and a music and CD production company. I now serve as
7 the Chairman of the Board of Directors for the South Carolina Small
8 Business Chamber of Commerce.

9 **Q. PLEASE DESCRIBE THE MISSION OF THE SOUTH CAROLINA**
10 **SMALL BUSINESS CHAMBER OF COMMERCE AND ITS**
11 **MEMBERSHIP.**

12 A. The membership of the South Carolina Small Business Chamber of
13 Commerce consists of small businesses normally with employees of less
14 than one hundred located throughout the State of South Carolina and
15 certainly throughout the geographical area serviced by South Carolina
16 Electric and Gas Company. Our membership by January 2003, will be
17 over twenty one hundred small business in South Carolina. Small
18 businesses as a group are the biggest employer in South Carolina,
19 providing over 80% of the jobs in the state.

20 The mission of our organization is to provide representation and a
21 voice for our small businesses before governmental bodies, including the
22 South Carolina General Assembly. We strive to create a friendly economic
23 environment for small businesses in South Carolina, including reforming

1 and making more equitable the tax treatment of small business and also
2 ensuring that small business is treated fairly in matters handled by
3 regulatory agencies. We educate and inform the public of the vital role
4 that the small businesses play in South Carolina.

5
6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. I appear on behalf of our organization in opposition to the rate increase
8 proposed by South Carolina Electric and Gas Company. The purpose of
9 my testimony is to provide an explanation as to why we feel the rate
10 increase in general as sought by the South Carolina Electric and Gas
11 Company is unwarranted at this time and further that the rate structure as
12 set forth by the Company is unfair and inequitable to the small business
13 community in South Carolina.

14 **Q. PLEASE EXPLAIN WHY YOU FEEL THE RATE INCREASE IS**
15 **UNWARRANTED?**

16 A. The rate increase is simply unjustified. As we understand the application,
17 most of the increase will go toward increasing the generating capacity for
18 South Carolina Electric and Gas Company. Even if increased capacity
19 were desirable we believe most of the funds necessary for that should
20 come from South Carolina Electric and Gas Company utilizing its own
21 capabilities. We are not satisfied that they are doing enough by the way of
22 issuing stock or borrowing money on their own to raise the necessary
23 capital for this project. We also believe the company should tap more

1 heavily into the million of dollars in cash and cash equivalents which they
2 are holding in reserve. Likewise, we do not believe the company has
3 made an adequate effort to cut its cost of operation before coming to the
4 ratepayers for relief. For example, at a time when most of our members
5 are making severe cuts to hold on in this bad economy, many SCANA
6 higher executives were receiving hefty increases in their compensation
7 (see SCANA annual reports).

8 There is nothing in this rate application that ensures that any of the
9 current small businesses in South Carolina will receive improved service
10 and certainly they will not receive any of the profits, which are generated
11 by South Carolina Electric and Gas.

12 Finally, it is our position that the timing for this rate increase could
13 not be worse for the business community in South Carolina. South
14 Carolina, not unlike the rest of the nation is suffering during the economic
15 downturn. In October 2002, the University of Michigan, Index of
16 Consumer Sentiment dropped to 80.6, its lowest since 1993. The small
17 businesses in our membership are struggling in this economy. There has
18 been a loss of jobs throughout the state. The corporate scandals and the
19 depressed stock market have lowered the consumer confidence. This has
20 resulted in the decreased spending by the consumer. At a time when
21 SCANA in its midyear report, promises its investors annual earning
22 increases of 6 to 8 % per year, some small businesses are facing the
23 prospect of closure. The economy needs to recover and we strongly

1 believe this rate increase will hinder that recovery. Such a dramatic rate
2 increase as proposed by South Carolina Electric and Gas Company hurts
3 the preservation of the Small Business owners in South Carolina. South
4 Carolina Electric and Gas does not seem to understand the first rule of
5 setting rates, “if there is no one to turn the lights on, the meter will not
6 run”.

7 **Q. PLEASE EXPLAIN WHY YOU FEEL THIS RATE INCREASE IS**
8 **ESPECIALLY UNFAIR TO THE SMALL BUSINESSES?**

9 A. Small businesses are not being treated equitably by the South Carolina
10 Electric and Gas Company in its rate application. Under the proposed rate
11 structure small businesses in South Carolina will be asked to shoulder a
12 rate increase two and a half times more than big business customers. We
13 do not agree that South Carolina Electric and Gas Company should charge
14 more to the small businesses simply because they contend the cost of their
15 distribution system to the small businesses is greater. The fact of the
16 matter is that the distribution system is already in place. It is our position
17 not only that any increase is unwarranted at this time, but also that if any
18 increase is granted it should be shouldered more equitably by the customer
19 base. I assure you that if this rate increase is passed on to small businesses,
20 that they will not be able to pass it on to their customers. They are having
21 a hard enough time in today’s market in keeping customers that they have.
22 Our member’s profit margin and earnings have been decreasing at a time

1 when SCANA's earnings have been increasing (see SCANA midyear
2 report 2002).

3 **Q. DO YOU HAVE ANY OTHER COMMENTS OR**
4 **OBSERVATIONS?**

5 A. Yes, I would simply urge the commission that they consider the fact that
6 this rate increase would be devastating to the small business community.
7 Our organization is the voice of the people who build and service our
8 homes, the convenience stores, the healthcare providers, the clothing
9 stores, the restaurants, the insurance agencies, the professional offices, and
10 many others. These are the businesses that keep the economy going.
11 Many small businesses are struggling to keep their head above water; they
12 do not need this additional burden.

13 The Small Business Chamber of Commerce respectfully submits
14 that a fair and reasonable outcome to this application would be to deny the
15 rate increase or substantially lower and restructure the increase so that is
16 more equitable to the small business community.

17 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

18 A. Yes. I appreciate the opportunity to present our position before you.
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